

82-1603

Office-Supreme Court, U.S.

FILED

MAR 30 1983

ALEXANDER L. STEVAS,
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

TOYBOX CORPORATION,

Petitioner,

v.

ILLFELDER TOY COMPANY, INC. and MARTIN SCHEMAN,

Respondents.

**PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**

JAMES D. HALSEY, JR.,
1825 K Street, N.W.
Washington, D.C. 20006
(202) 872-0123

Counsel for Petitioner

Of Counsel:

L. ALLEN WOOD
STAAS AND HALSEY
1825 K Street, N.W.
Washington, D.C. 20006
(202) 872-0123

MARTIN J. SPELLMAN
SPELLMAN AND JOEL
44 South Broadway
White Plains, New York 10601
(914) 997-0200

QUESTIONS PRESENTED

1. Should the test for determining whether a toy for preschool children is sufficiently “ornamental” to support a design patent under 35 U.S.C. § 171 be based on the toy’s visual appeal to children rather than adults?

2. Granted that the purpose of design patents is to protect appearance rather than mechanical function, can a design patent on a toy be invalidated under the judicially-developed “functionality” rule if the same mechanical functions can be performed by other toys which are substantially different in appearance?

3. Can mechanical and design patents be invalidated for “obviousness” under 35 U.S.C. § 103 where neither the District Court nor the Court of Appeals made findings of fact pursuant to the analytical procedure set forth in *Graham v. John Deere Co.*, 383 U.S. 1 (1966), and where the Court of Appeals reviewed “obviousness” as a question of fact subject to the “clearly erroneous” standard rather than as a question of law? As a bare minimum, does the *Graham* analytical procedure require either a remand for findings or a fact finding inquiry at the appellate level where the District Court invalidates a design patent for obviousness on the basis of prior art which it does not identify?

Pursuant to Rule 28.1 of this Court, Petitioner states that it is an affiliate of the companies identified in the Appendix at page 11a.

TABLE OF CONTENTS

	<u>Page</u>
QUESTIONS PRESENTED	i
TABLE OF AUTHORITIES	iv
OPINIONS BELOW	1
JURISDICTION	1
STATUTORY PROVISIONS INVOLVED	2
STATEMENT OF THE CASE	2
REASONS FOR GRANTING THE WRIT	4
I. Judging design patents on toys by the “aesthetic” standards of adults effectively denies to a major industry any hope of pro- tecting itself against unscrupulous copying. This Court should review for the first time the question of whether the ornamentality requirement of design patents on toys should be based on the visual appeal to children rather than adults	4
II. The different “functionality” rules adopted by the various Circuits to ensure that design patents protect the appearance of articles rather than monopolizing their functions pro- vide little guidance as to practical application. This Court should decide if a design patent is invalid under the “functionality” rule if the same mechanical functions can be performed by other articles which are substantially dif- ferent in appearance.....	5

QUESTIONS PRESENTED

1. Should the test for determining whether a toy for preschool children is sufficiently "ornamental" to support a design patent under 35 U.S.C. § 171 be based on the toy's visual appeal to children rather than adults?

2. Granted that the purpose of design patents is to protect appearance rather than mechanical function, can a design patent on a toy be invalidated under the judicially-developed "functionality" rule if the same mechanical functions can be performed by other toys which are substantially different in appearance?

3. Can mechanical and design patents be invalidated for "obviousness" under 35 U.S.C. § 103 where neither the District Court nor the Court of Appeals made findings of fact pursuant to the analytical procedure set forth in *Graham v. John Deere Co.*, 383 U.S. 1 (1966), and where the Court of Appeals reviewed "obviousness" as a question of fact subject to the "clearly erroneous" standard rather than as a question of law? As a bare minimum, does the *Graham* analytical procedure require either a remand for findings or a fact finding inquiry at the appellate level where the District Court invalidates a design patent for obviousness on the basis of prior art which it does not identify?

Pursuant to Rule 28.1 of this Court, Petitioner states that it is an affiliate of the companies identified in the Appendix at page 11a.

TABLE OF CONTENTS

	<u>Page</u>
QUESTIONS PRESENTED	i
TABLE OF AUTHORITIES	iv
OPINIONS BELOW	1
JURISDICTION	1
STATUTORY PROVISIONS INVOLVED	2
STATEMENT OF THE CASE	2
REASONS FOR GRANTING THE WRIT	4
I. Judging design patents on toys by the “aesthetic” standards of adults effectively denies to a major industry any hope of pro- tecting itself against unscrupulous copying. This Court should review for the first time the question of whether the ornamentality requirement of design patents on toys should be based on the visual appeal to children rather than adults	4
II. The different “functionality” rules adopted by the various Circuits to ensure that design patents protect the appearance of articles rather than monopolizing their functions pro- vide little guidance as to practical application. This Court should decide if a design patent is invalid under the “functionality” rule if the same mechanical functions can be performed by other articles which are substantially dif- ferent in appearance.....	5

III.	Before its patents are invalidated for obviousness a patent owner has a right to the findings of fact specified in <i>Graham v. John Deere Co.</i> , 383 U.S. 1 (1966). The failure of either court below to make the necessary <i>Graham</i> findings has effectively deprived Petitioner of its right to an appellate review of the issue of whether its patents are invalid for obviousness as a matter of law. Clarification is needed regarding the nature of the findings required by district courts and whether, in the absence of such findings, an appellate court should remand for findings or conduct its own <i>Graham</i> fact finding inquiry	6
------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---

CONCLUSION	10
------------------	----

APPENDIX

Court of Appeals Decision	1a
District Court Findings of Fact and Conclusions of Law	4a
Court of Appeals Decision Denying Rehearing ...	10a
List of Companies that Petitioner is an Affiliate of.....	11a

TABLE OF AUTHORITIES

	<u>Page</u>
CASES:	
<i>Bliss v. Gotham Industries, Inc.</i> , 316 F.2d 848 (9th Cir. 1963)	5
<i>Graham v. John Deere Co.</i> , 383 U.S. 1 (1966)	i,4,6-10
<i>Hygienic Specialties Co. v. H.G. Salzman, Inc.</i> , 302 F.2d 614 (2d Cir. 1962)	5
<i>Ex parte Levinn</i> , 136 U.S.P.Q. 606 (P.O. Bd. App. 1962)	5
<i>Northern Engineering and Plastics Corp. v. Eddy</i> , 652 F.2d 333 (3rd Cir. 1981), <i>cert. denied</i> 454 U.S. 1146	9
<i>Palmer v. Orthokinetics, Inc.</i> , 611 F.2d 316 (9th Cir. 1980)	9
<i>Price v. Lake Sales Supply R.M., Inc.</i> , 510 F.2d 388 (10th Cir. 1974)	9
<i>Ramirez v. Perez</i> , 440 F.2d 1072 (5th Cir. 1971)	9
<i>Sarkisian v. Winn-Proof Corp.</i> , 688 F.2d 647 (9th Cir. 1982)	9
STATUTES AND RULES:	
35 U.S.C. § 103	i,2,7
35 U.S.C. § 171	i,2,5

IN THE
Supreme Court of the United States

OCTOBER TERM, 1982

TOYBOX CORPORATION,
Petitioner,
v.

ILLFELDER TOY COMPANY, INC. and MARTIN SCHEMAN,
Respondents.

**PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**

Petitioner, Toybox Corporation, prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Second Circuit entered on November 26, 1982.

OPINIONS BELOW

The unpublished order and opinion of the Court of Appeals (appearing in the Appendix at pages 1a-3a) affirmed a judgment based on findings of fact and conclusions of law which were delivered in an unpublished oral decision by the United States District Court for the Southern District of New York (appearing in the Appendix at pages 4a-9a).

JURISDICTION

The judgment of the Court of Appeals for the Second Circuit was entered on November 26, 1982. A timely petition for rehearing and suggestion for rehearing *en banc* was denied

by an order entered on January 5, 1983 (appearing in the Appendix at page 11a). This Court's jurisdiction is invoked under 28 U.S.C. § 1254 (1).

STATUTORY PROVISIONS INVOLVED

35 U.S.C. § 103. Conditions for patentability; non-obvious subject matter.

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

35 U.S.C. § 171. Patents for designs.

Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.

The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.

STATEMENT OF THE CASE

Petitioner Toybox Corporation designed a trackway toy for preschool children. The entire appeal of this toy is visual since the child merely watches as the vehicle moves through action stations along a trackway. Respondent Illfelder Toy Company, Inc., through its president Respondent Martin Scheman, purchased Toybox's toy from a Sears store and had it copied.

Toybox filed this action in 1979 accusing the Respondents of infringing design Patent Des. 248,887 and mechanical Patent 4,068,402, both of which cover the trackway toy. At trial the

infringement and validity issues were severed. Although the District Court held that Toybox's toy was a commercial success and that it had been copied, both patents were invalidated from the bench after which the court stated:

... it is repugnant to me as a judge sitting in this court to be in a position of having to try a case where there was this flagrant copying and grant no remedy, but ... just because I happen to think it was a theft doesn't mean that there is a remedy under the patent law. (8a)

The District Court's findings of fact and conclusions of law were delivered orally from the bench. The design patent was invalidated on aesthetic and functional grounds in two sentences:

There is no special beauty and if I have ever seen anything that is totally governed by function, it is that. (7a)

I think the testimony is quite persuasive that whatever merits ... the Plaintiff's toy has, it does not have an aesthetic value in any degree, and, also, the form of it follows the function and does not involve what is really a patentable design feature. (8a)

The Court of Appeals disposed of the issues of whether the patented toy design was ornamental or functional merely by stating:

While Toybox argues that certain details were not dictated by functional considerations, for example, the shape of the tower and the curve of the track, these minor design details do not reflect a sufficient exceptional or unique design to meet the ornamentality requirement. (2a)

Both patents were also invalidated for "obviousness." Over 60 prior art references were offered into evidence on this issue at trial. In its bench decision the District Court held the design patent invalid for obviousness without even identifying which of the 60 prior art references were pertinent. The District Court also concluded that the mechanical patent was invalid for

obviousness, citing four prior art references. The District Court did not discuss two prior art references which "teach away" from the mechanical invention, and no prior art was cited relating to the features set forth in claim 6 of the mechanical patent. For neither patent did the District Court make findings regarding the differences between the claims of the patent and the prior art or the level of ordinary skill in the art, as set forth in *Graham v. John Deere Co.*, 383 U.S. 1 (1966). In particular, the District Court did not address a "synergistic" difference between the prior art and the claims of the mechanical patent.

In affirming the District Court's decision on the obviousness issues, the Court of Appeals held that particular findings of fact are not required by *Graham, supra*, as long as the District Court "grappled with the problems presented" and considered the *Graham* factors. (3a) Although the District Court had invalidated the design patent for obviousness without identifying any prior art, the Court of Appeals incorrectly attributed to the District Court a finding that the major design features of the toy were disclosed in two specific prior art references. (2a) No such finding was made by the District Court. With respect to the mechanical patent, the Court of Appeals did not make its own findings regarding the differences between the prior art and the claims of the patent; instead it merely asserted that each of the "features" of the mechanical patent was demonstrated in the prior art. (2a) For both patents the Court of Appeals held that the evidence introduced at trial was sufficient to support findings of obviousness. (2a)

REASONS FOR GRANTING THE WRIT

- I. Judging design patents on toys by the "aesthetic" standards of adults effectively denies to a major industry any hope of protecting itself against unscrupulous copying. This Court should review for the first time the question of whether the ornamentality requirement of design patents on toys should be based on the visual appeal to children rather than adults.

The purpose of design patents is to promote the attractiveness and salability of articles. Design patents play an unusually

important role in a "fashion" industry such as the toy field where companies are constantly required to design new toys that children find attractive.

The courts below have permitted the blatant copying of Petitioner's commercially successful trackway toy design for pre-school children on the basis that the ornamentality requirement of 35 U.S.C. § 171 requires that a toy have "special beauty" (7a) and "aesthetic value" (8a). In so doing the courts below have failed to address the question of through whose eyes a toy should be pleasing in appearance.

Guidance is needed from this Court to ensure that a design patent on a toy is not judged by the aesthetic requirements of fine art viewed through the eyes of a judge, but rather is judged on the basis of evidence regarding whether the toy is appealing to children, for whom it is intended.

II. The different "functionality" rules adopted by the various Circuits to ensure that design patents protect the appearance of articles rather than monopolizing their functions provide little guidance as to practical application. This Court should decide if a design patent is invalid under the "functionality" rule if the same mechanical functions can be performed by other articles which are substantially different in appearance.

The functionality rule has been stated differently by the various Circuits and the Patent Office. In the Second Circuit a design patent is invalid for functionality only where the appearance of the patented article is dictated *solely* by its mechanical requirements. *Hygienic Specialities Co. v. H.G. Salzman, Inc.*, 302 F.2d 614, 618 (2d cir. 1962). In the Ninth Circuit the test is whether the design is dictated *primarily* by mechanical requirements such that any pleasing appearance is merely a by-product of the mechanical requirements. *Bliss v. Gotham Industries, Inc.*, 316 F.2d 848, 851 (9th Cir. 1963). Most of the reported decisions on the functionality issue tend to be conclusory, providing little guidance as to how the rule should be applied. A refreshingly useful exception is found in *ex parte Levinn*, 136 U.S.P.Q. 606 (P.O. Bd. App. 1962), where the

Board held that a design is only functional, i.e., dictated by the function to be performed, where substantially every part of the shape of the article is dictated by the utility to be performed. In deciding whether the design of a switch was patentable, the Board noted that a prior patent for a different design which nevertheless performed the same function established the non-functionality of the design at issue.

The District Court's treatment of the functionality issue in its opinion was confined to the remark that the appearance of Petitioner Toybox's toy follows and is governed by function. (7a, lines 7-8 and 8a, lines 35-36). On appeal Toybox urged that the appearance of an article is "functional" only if the functions of the article require a particular appearance, thus (1) denying the designer the opportunity to improve the appearance and make the article more salable, and (2) effectively precluding others from practicing the functions without infringing the design patent. In affirming, the Court of Appeals dismissed the issue simply by stating that the non-functional "minor design details" such as the shape of the tower and the curve of the track do not meet the ornamentality requirement. (3a) In so doing, the Court of Appeals confused the issue of functionality with the requirement of ornamentality. Neither court below indicated what standard was being applied in determining whether the appearance of Toybox's toy is dictated by its functions. Both courts ignored the undisputed evidence establishing that all of the mechanical functions performed by the toy can be performed by toys that look different. Guidance is needed from this Court regarding how the functionality rule should be applied.

III. Before its patents are invalidated for obviousness a patent owner has a right to the findings of fact specified in *Graham v. John Deere Co.*, 383 U.S. 1 (1966). The failure of either court below to make the necessary *Graham* findings has effectively deprived Petitioner of its right to an appellate review of the issue of whether its patents are invalid for obviousness as a matter of law. Clarification is needed regarding the nature of the findings required by district courts and whether, in the

absence of such findings, an appellate court should remand for findings or conduct its own *Graham* fact finding inquiry.

This Court has identified a set of relevant facts which the courts must establish before invalidating a patent for obviousness under 35 U.S.C. § 103:

Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined.

Graham, supra, at 17. This *Graham* test does not merely represent helpful hints to the lower courts—instead, it represents an operational procedure for determining whether the courts should revoke a patent.

Although a patent owner is entitled to have his patent evaluated by the procedure specified in *Graham*, the decision does not explicitly require findings of fact regarding the relevant facts that must be determined when following that procedure. However, in *Graham* this Court did state that “[w]e believe that *strict observance* of the *requirements* laid down here will result in that uniformity and definitiveness which Congress called for in the 1952 Act,” *supra*, at 18 (emphasis supplied). The present case illustrates why this Court’s concern for “strict observance” is warranted. The Court of Appeals stated that “[e]ach of the features of the mechanical patent were demonstrated by the prior art.” (2a) Superficially this statement appears to paraphrase *Graham* even if it does not strictly observe the requirements. The trouble with the statement is that the *Graham* test focusses not on *similarities* but rather on the *differences* between the prior art and what is being claimed. There are a number of differences between the prior art

references identified by the District Court and the claims of the mechanical patent, including a synergistic difference.¹ These differences are present despite the fact that the mechanical patent and the prior art have certain "features" in common. This example from the present case illustrates how easy it is for a patent owner to lose his right to "strict observance" of the *Graham* procedure unless specific findings of fact are considered to be a procedural requirement which must be followed before the courts can invalidate a patent for obviousness.

Neither court below has made *any* of the *Graham* findings for the design patent. The fact that the Court of Appeals mistakenly asserted that the District Court had at least identified two specific prior art references cannot be interpreted as meaning that the Court of Appeals conducted its own *Graham* analysis; at most, this assertion represents a holding that the District Court would not have been clearly erroneous in the event that it had identified these two prior art references. Furthermore, the findings of fact for the mechanical patent are inadequate. As noted above, for example, no court has undertaken the critically important step of identifying and analyzing the differences between the prior art and the claims of the mechanical patent.

The ultimate issue of obviousness is a question of law. *Graham, supra*, at 17. It is possible for a trial court to determine the relevant facts under *Graham* and reach the legal issue even if it does not express the relevant facts as findings. This, however, would undermine judicial economy since the appellate court would have to determine the relevant facts for itself before reaching the legal issue. In the present case the Court of Appeals did not conduct an independent *Graham* analysis despite the dearth of findings by the District Court. Instead, the Court of Appeals affirmed on the basis that the

¹ The structure of one of the four prior art references identified by the District Court has been modified so that it assumes an entirely new function and thereby avoids a problem that has kept another of the four references out of commercial production for over a quarter of a century.

evidence was sufficient to support findings of obviousness. The net result is that Petitioner has been denied its right to an appellate review. Since the District Court did not make adequate findings of fact and since the Court of Appeals did not determine the relevant facts for itself, the Court of Appeals was never in a position to review the District Court's legal conclusions on the ultimate legal issues of obviousness.

Several of the Circuits have addressed the question of what findings must be made before a patent can be invalidated for obviousness. The Ninth Circuit, sitting *en banc*, recently voiced its preference for "detailed" findings. *Sarkisian v. Winn-Proof Corp.*, 688 F.2d 647, 650 (9th Cir. 1982). The Ninth Circuit has also held that findings which merely paraphrase the claims rather than interpreting each claim are insufficient under *Graham*. *Palmer v. Orthokinetics, Inc.*, 611 F.2d 316 (9th Cir. 1980). The Fifth Circuit, in remanding for *Graham* findings in *Ramirez v. Perez*, 440 F.2d 1072, 1073 (5th Cir. 1971), has stated that "[n]o class of cases known in the law can be said to be as uniquely fact-oriented as those involving patents." The Tenth Circuit, while not requiring findings in the precise terms of the *Graham* criteria, requires findings sufficient to provide a clear understanding of the lower court's reasons in order to permit an adequate review. *Price v. Lake Sales Supply R.M., Inc.*, 510 F.2d 388, 391 (10th Cir. 1974). The Third Circuit does not require remand where the lower court correctly identifies the pertinent art but fails to explicitly ascertain the level of ordinary skill, if the record places the appellate court in as good a position as the trial court to make that determination. *Northern Engineering and Plastics Corp. v. Eddy*, 652 F.2d 333 (3rd Cir. 1981), *cert. denied*, 454 U.S. 1146 (1982).

The common thread running through all of these decisions is that there exists some *minimum* level of *Graham* findings that must be made as a *condition precedent* to invalidating a patent for obviousness. Surely as a matter of basic fairness a patent owner should have a right to know exactly why it is losing its patents. The present case illustrates why findings of fact must be a procedural requirement to which a patent owner has a right under *Graham*. To achieve the uniformity and definitiveness sought to be promoted by *Graham*, this Court should

provide guidance regarding which of the relevant facts under the *Graham* procedure must be expressed as findings of fact, and when remand is appropriate if these findings are not made by the District Court.

CONCLUSION

Only on rare occasions does this Court have an opportunity to clarify several important unsettled issues pertinent to both mechanical and design patents in a single case where legal issues are not obfuscated by technical details. This case is one of the few.

For the reasons set forth above, a writ of certiorari should be issued to review the judgment of the United States Court of Appeals for the Second Circuit.

Respectfully submitted,

JAMES D. HALSEY, JR.,
1825 K Street, N.W.
Washington, D.C. 20006
(202) 872-0123

Counsel for Petitioner

Of Counsel:

L. ALLEN WOOD
STAAS AND HALSEY
1825 K Street, N.W.
Washington, D.C. 20006
(202) 872-0123

MARTIN J. SPELLMAN
SPELLMAN AND JOEL
44 South Broadway
White Plains, New York 10601
(914) 997-0200

COURT OF APPEALS DECISION**UNITED STATES COURT OF APPEALS****Second Circuit**

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse in the City of New York, on the 26th day of November, one thousand nine hundred and eighty-two.

Present:

HONORABLE IRVING R. KAUFMAN,
HONORABLE WILLIAM H. TIMBERS,
HONORABLE JON O. NEWMAN,
Circuit Judges.

82-7478

TOYBOX CORPORATION,
Plaintiff-Appellant,
v.

ILLFELDER TOY COMPANY, INC. and
MARTIN SCHEMAN,
Defendants-Appellees.

Appeal from the United States District Court for the Southern District of New York.

This cause came on to be heard on the transcript of record from the United States District Court for the Southern District of New York, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ordered; adjudged, and decreed that the judgment of said District Court be and it hereby is affirmed.

N.B. Since this statement does not constitute a formal opinion of this court and is not uniformly available to all parties, it shall not be reported, cited or otherwise used in unrelated cases before this or any other court.

1. Each of the features of the mechanical patent were demonstrated by the prior art. Toybox contends, however, that the combination of these elements into a single toy with a free wheeled vehicle would not have been obvious to a person with ordinary skill in the art of toymaking. *See Champion Spark Plug Co. v. Gyromat Corp.*, 603 F.2d 361 (2d Cir. 1979), *cert. denied*, 445 U.S. 916 (1980). The district court rejected this claim, and found that the integration of the different elements into a single toy would have been obvious to an individual with ordinary skills in the art of toymaking. This finding was supported by the testimony of Illfelder's expert witness, Frank X. Rice, and other evidence adduced at trial. Also, the court found that the differences between free wheeled and power wheeled vehicle toys are not so great that a toymaker would not think of incorporating features from one type of toy into the other. Indeed, Toybox's expert witness, Peter R. Manning, admitted during cross-examination that there was no reason why action features from power wheeled vehicle toys could not be used in toys with free wheeled vehicles.

2. Toybox also contends that the design of the toy was ornamental, and that the prior art did not make the design obvious. The district court rejected this contention, noting that each of the major design features of the toy were disclosed in the prior art, particularly the "Acherbahn" and patent No. 4,109,410. Although the mere fact that a design patent covers features demonstrated in the prior art is, without more, insufficient to establish obviousness, *Lancaster Colony Corp. v. Aldan Accessories, Ltd.*, 506 F.2d 1197 (2d Cir. 1974), the court below found that the combination of these design features into a single toy at issue was obvious. This finding was supported by the evidence introduced at trial and the testimony of the expert witnesses.

3. Even if the design of the toy was not obvious, the district court found that the design patent was invalid because the toy's design was dictated by function. *See Hygienic Specialties Co. v. H. G. Salzman, Inc.*, 302 F.2d 614, 618 (2d Cir. 1962). While Toybox argues that certain details were not dictated by functional considerations, for example, the shape of

the tower and the curve of the track, these minor design details do not reflect a sufficient exceptional or unique design to meet the ornamentality requirement. See *G. B. Lewis Co. v. Gould Products, Inc.*, 436 F.2d 1176 (2d Cir. 1971).

4. Toybox also argues that the district judge erred in not making particular findings under the test for patent validity enunciated in *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966). See *Ramirez v. Perez*, 440 F.2d 1072, 1073 (5th Cir. 1971). It is clear, however, that the judge considered the "scope and content of prior art," the "differences between the prior art and the claims at issue," and the "level of ordinary skill" in the profession. *Graham v. John Deere Co.*, *supra*, 383 U.S. at 17. As long as the district court "grappled with the problems presented" and considered the factors from *Graham*, there is no requirement of making particular findings. *Tanks, Inc. v. Reiter Industries, Inc.*, 545 F.2d 1276, 1279 (10th Cir. 1976).

5. Toybox's other claims are without merit.

6. The district court properly found that Patent Des. 248,887 and Patent 4,069,402 were invalid.

7. The judgment is affirmed.

IRVING R. KAUFMAN

Irving R. Kaufman,

WILLIAM H. TIMBERS

William H. Timbers,

JON O. NEWMAN

Jon O. Newman, Circuit Judges.

**District Court Findings of
Fact and Conclusions of Law**

(Transcript pages 349-353, 355, and 580-582, representing the oral decision of the United States District Court for the Southern District of New York in Toybox Corporation, Plaintiff v. Illfelder Toy Company, Inc. and Martin Scheman, Defendants, Docket Number 79 Civ. 4231(TPG), decided April 30, 1982, by the Honorable Thomas P. Griesa.)

[349] THE COURT: I am going to reserve ruling on the motion. I don't know what the technical effect is, and the practical effect is this, and I will be very open with you about my thinking, and that is that I am almost to the point of granting the motion and dismissing the case on the ground that the patent is invalid. It seems to me that this toy device is a successful design. I will assume it was a successful design and was successfully marketed and had market appeal, but it is a combination of old elements that would be, in my view, obvious to a reasonably competent toy designer.

It is a situation where the whole is really not greater than the sum of the parts. The concept of a gravity track arranged in different ways, spiral, oval, etc., is an old concept, admittedly. The pivoted rotating vehicle in the tower, which is kind of the central feature, that concept is an old concept. It was disclosed in the Arai patent, 3,613,306. The basic concept had been manufactured by the plaintiff in the Flippity Flyer toy. The vehicle with the rotating gear and the stationary gear running up a track so that it flips and does a somersault, that was a product that had been invented by somebody else in a somewhat [350] different fashion, but the Flippity Flyer with the little airplane vehicle had been marketed by the plaintiff company or a related company and here we have a little locomotive with the same kind of dual gear mechanism to cause this somersaulting or flipping effect as it rises up in some kind of an elevator or tower.

Then we have a bridge at another section of the tracks and it seems to me the bridge could hardly be an invention at all, whether there was prior art or wasn't. I don't understand how you can get a patent on that kind of a bridge. You can walk around the countryside and see bridges and here we have a bridge that is kept elevated by a spring and then the vehicle runs over it and the weight of the vehicle pushes it down. Well, it happens that there was a prior disclosure of that concept, a prior patent on that concept, a French patent, Giroud, 2,205,825.

The tower where the rotating vehicles flips or somersaults is one so-called action feature appearing at one stage in this gravity track, and the bridge is another action station.

Another feature of the bridge is that along the rails of the bridge there are racks and that the [351] side gears of the vehicle engage the racks and causes a change of pace, but the concept of side gears going along racks is not new, and indeed, there is a patent that the—a prior patent that has the exact same feature of wheels or side gears running along tracks on a bridge to slow the movement or change the movement of the vehicle in one of these track toys, and that is U.S. Patent 3589064.

Then we come to the final action feature, that is, a pivoted carrier, where the vehicle runs down the track and appears to be about to run off into space, but it hits instead a stop on a section of the track which becomes a carrier that swings around onto another section of the track, and then a spring causes that carrier to return to the original position.

The force which forces the carrier to move is the momentum of the vehicle and that precise concept is in a German patent of Ernst, 870,512.

These action features, the rotating vehicle in the tower, the bridge, and the carrier in this toy, are so close to the devices described in these earlier patents, that to me it is very evident that the use of them here, these features here, was not obvious—

MR. RACKMAN: Did you say not obvious?

[352] THE COURT: I'm sorry, was obvious. Of course there is an argument that the combination of these elements in the way that the elements were combined is not obvious, or was not obvious, and constitutes a patentable item taken as a whole. But as I indicated before, in my view, this is simply nothing more than taking individual elements, that is, a track and the individual action stations or action features, putting them in some kind of a series. And that idea in itself is obvious and I am sure there are many, many combinations of these different types of action stations in these track toys, and it seems to me that a person should not be able to get a valid patent every time they make some new arrangement of those elements.

Now, having said all this, I still have a problem of the administration of this case. It has been hotly contested and I think that one must expect that there may be an appeal sought by whoever doesn't prevail here. And I am concerned about depriving the defense of the opportunity to complete the record. I am particularly concerned because we have a situation where the defense has the burden of proof. At the start of the trial, I had some inclination to go ahead [353] with the defense case, and perhaps that would have been preferable. But we didn't do that and what I have really found is that the plaintiff's evidence, in effect, disproved the validity of the patent, but I am told that the defense has evidence that they very much wish to put on the record. And I think that we should proceed and have that evidence.

Obviously, if there is some development in the defense evidence which causes a change in the views I have just expressed, the trial is still, of course, going forward and I will be very alert and very open to any such evidence which militates against the views I have expressed.

For instance, if Mr. Halsey, in cross-examining a defense witness, brings out facts which go against the views I have expressed, there is no final judgment yet and the matter is still open.

The reason I have gone to some length to lay out my views is to really guide the attorneys, and particularly Mr. Rackman. I think it is fair to him to know what my views are and perhaps it would be of some service to me to allow you to shorten proof.

[355] THE COURT: Just use a little judgment and let's trim that.

On the design patent, it seems to me that this is a combination of elements already disclosed in an obvious way, and the plaintiff's toy does not rise to the level of a valid design patent.

There is no special beauty and if I have ever seen anything that is totally governed by function, it is that.

Of course, it has a little bit of color, and all, but how that gets to be anything you could call a design is really beyond me, as far as a patentable design.

Let's go, Mr. Rackman.

MR. RACKMAN: I would like to call Frank Rice, your Honor.

I might add that we have our own binder of exhibits and we have an extra copy for your Honor. All of the exhibits, of course, have been given, or they are copies of ones opposing counsel already have—since we will be referring to many of the same exhibits with our own designations, I will hand this to your Honor.

[580] Rice

secondary factors that may tip the scales, and I don't believe this case is even close.

THE COURT: Let's take a short recess.

(Recess taken.)

THE COURT: I think that we have dealt with the issues sufficiently, the issues about validity, and we have had sufficient argument, both before the trial and at various stages during the trial, and at pages 349 to 353, and then at 355, I dictated my views at the end of the plaintiff's case, and those views were pretty well formed, as I said, against the validity of both the mechanical patent and the design patent.

Now that the defense has put on their case and their has been a rebuttal, my views are the same and I have read over the statement I made earlier, and I will let that statement constitute my findings of fact and conclusions of law.

[581] THE COURT: I really would have very little more to say. I will say this: That I have considered the evidence about copying. That has been introduced by the plaintiff. I also have the evidence about commercial success. Of course, it is a fact the plaintiff's toy was a commercial success, and is a fact that the defendant Illfelder copied plaintiff's toy. But in my view what this means is that the defendant simply saw a successful toy, it was easy and cheap for the defendant to copy, and although apparently in this industry, according to Mr. Rice, the participants in this industry are so hardened to the idea of copying that it doesn't bother them. I must say that it bothers me, and it is repugnant to me as a judge sitting in this court to be in the position of having to try a case where there was this flagrant copying and grant no remedy, but my emotions, my feelings, don't create the law, and just because I happen to think it was a theft doesn't mean that there is a remedy under the patent law.

If there was no valid patent, apparently there was a right to copy. The copying here was of something which was not validly patented. Copying of that sort of thing goes on, and apparently there is a legal right to do that.

[582] One further point on the design patent. In my statement at page 355, I dealt with the obviousness issue in regard to the design patent. We have had defense evidence about the lack of aesthetic value and about the fact that the arrangement of this toy really follows the function and does not involve something which is a valid design.

On both points, it seems to me, that the defense has prevailed. I think the testimony is quite persuasive that whatever merits this toy has, the plaintiff's toy has, it does not have an aesthetic value in any degree, and, also, the form of it follows the function and does not involve what's really a patentable design feature.

I think with the statement I am making now, plus the earlier statement, we have the essence of what is necessary in the way of findings of fact and conclusions of law. Consequently, I am holding that mechanical patent United States Letters Patent No. 4,068,402 is invalid and Design Patent United States Letters Patent No. Design 248,887 is invalid. That concludes the ruling on those points.

There is an application by the defense for attorney's fees, and in the exercise of my discretion that

**Court of Appeals Decision
Denying Rehearing**

**UNITED STATES COURT OF APPEALS
SECOND CIRCUIT**

At a stated term of the United States Court of Appeals, in and for the Second Circuit, held at the United States Court House, in the City of New York, on the fifth day of January, one thousand nine hundred and eighty-three.

No. 82-7478

TOYBOX CORPORATION,
Plaintiff-Appellant,
v.

**ILLFELDER TOY COMPANY, INC., and
MARTIN SCHEMAN,**
Defendants-Appellees.

A petition for rehearing containing a suggestion that the action be reheard in banc having been filed herein by counsel for the plaintiff-appellant, Toybox Corporation,

Upon consideration by the panel that heard the appeal, it is

Ordered that said petition for rehearing is DENIED.

It is further noted that the suggestion for rehearing in banc has been transmitted to the judges of the court in regular active service and to any other judge on the panel that heard the appeal and that no such judge has requested that a vote be taken thereon.

A. Daniel Fusaro, Clerk

by Francis X. Gindbart,
Chief Deputy Clerk

List of Companies that Petitioner is an Affiliate of:

Tomy Kogyo Co., Inc.

Tomy Company, Inc.

Iwatani Co., Ltd.

Nikko Gangu Kogyo Ltd.

APR 29 1983

ALEXANDER L. STEVAS,
CLERK

No. 82-1603

IN THE

Supreme Court of the United States

October Term, 1982

TOYBOX CORPORATION,

Petitioners,

-v-

ILLFELDER TOY COMPANY, INC.,
and MARTIN SCHEMAN,

Respondents.

**BRIEF OF RESPONDENTS IN OPPOSITION
TO PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**

MICHAEL I. RACKMAN
GOTTLIEB, RACKMAN & REISMAN, P.C.
Attorneys for Respondent
1430 Broadway
New York, New York 10018
(212) 869-2890

TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
STATEMENT OF THE CASE	3
There Is No Need For The Testimony Of Children	4
By Every Standard, The Design Patent Is Invalid Because Of "Functionality"	6
Both Courts Below Followed The Proper Standards In Determining That Both Patents Were Invalid For Obviousness	12
CONCLUSION	16

TABLE OF AUTHORITIES

Cases

	<u>Page</u>
<u>Barofsky v. General Electric Corp.</u> , 396 F.2d 340, (9th Cir. 1968), cert. denied, 393 U.S. 1031 (1969)	7
<u>Hygienic Specialities Co. v. H.G. Salzman, Inc.</u> , 302 F.2d 614 (2d Cir. 1962)	7,8
<u>Bliss v. Gotham Industries, Inc.</u> , 316 F.2d 848 (9th Cir. 1963)	8
<u>Ex parte Levinn</u> , 136 U.S.P.Q. 606 (P.O. Bd. App 1962)	9,10,11
<u>Graham v. John Deere Co.</u> , 383 U.S. 1 (1966)	12,14,16
<u>Norfin, Inc., v. International Business Machines Corp.</u> , 625 F.2d 357 (10th Cir. 1980)	14
<u>Tanks, Inc., v. Reiter Industries, Inc.</u> , 545 F.2d 1276 (10th Cir. 1976)	14
<u>Lee Blacksmith, Inc., v. Lindsay Brothers Inc.</u> , 605 F.2d 341 (7th Cir. 1979)	15
<u>Schwinn Bicycle Co. v. Good-year Tire & Rubber Co.</u> , 444 F.2d 295 (9th Cir. 1970)	15

Statutes and Rules

35 U.S.C. §103	12
Rule 17, Supreme Court Rules	2,3

IN THE
SUPREME COURT OF THE UNITED STATES

October Term, 1982

No. 82-1603

-----	x
TOYBOX CORPORATION,	:
	:
Petitioner,	:
	:
-v-	:
	:
ILLFELDER TOY COMPANY, INC.,	:
and MARTIN SCHEMAN,	:
	:
Respondents.	:
-----	x

BRIEF OF RESPONDENTS IN OPPOSITION
TO PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

Introduction

Respondents, Illfelder Toy Company, Inc. and Martin Scheman, respectfully submit this brief in opposition to the Petition For Writ Of Certiorari to the United States Court of Appeals For the Second Circuit filed by petitioner Toy-

box Corporation.

The petition should be denied since the decision of the Court of Appeals is manifestly correct. Equally important, this case does not warrant review by this Court. The Court of Appeals for the Second Circuit followed acceptable standards of review in rendering its decision and did not violate the standards of this Court for assessing the question of patentability. To paraphrase Rule 17 of this Court, the decision of the Court of Appeals was not in conflict with the decision of another federal court of appeals on the same matter nor did the decision depart from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's power of supervision. Furthermore, again paraphrasing Rule 17, the decision below was in no way in conflict with the applicable

decisions of this Court.

In short, the Petition fails to show that there are any "special and important reasons" for reviewing this matter on a Writ of Certiorari, within the meaning of Rule 17.

STATEMENT OF THE CASE

Petitioner, Toybox Corporation, is correct in that both the design patent and the mechanical patent were invalidated for "obviousness". The design patent was held invalid for an additional two reasons--the absence of ornamentality, and the presence of functionality.

Most important is the fact that this was not a case in which either court treated the matter lightly. The trial judge was extremely reluctant to invalidate the patents (Petition, 3); but the evidence was so overwhelming

that he had no choice.

REASONS FOR DENYING THE WRIT

There Is No Need For The
Testimony Of Children

The design patent depicts a trackway toy which, according to Petitioner, appeals to pre-school children. This Court is asked to give "guidance" to insure that a design patent on a toy will be judged on the basis of evidence regarding whether the toy is appealing to children, for whom it is intended.

The Court can take judicial notice of the fact that pre-school children do not purchase toys of the type involved here. If Petitioner's toy is going to be bought, it will be bought by adults for whom the toy has appeal.

Even more important is the fact that the design patent does not even mention the word "children", nor does it

suggest in any other way a class of interested purchasers or users.

At the trial, Petitioner's counsel came up with some novel theories. For example, although both parties in every patent lawsuit rely on the testimony of experts on the issue of obviousness, Petitioner's counsel argued that the expert testimony should not be considered because the experts are experts, and they therefore cannot testify about the level of ordinary skill in the art; similarly, although prior art patents are relied upon in every patent lawsuit, they should not be because they do not represent the level of skill in the art since they embody inventions. On the issue of design expertise, the same kind of absurd argument is being repeated by Petitioner now; just as we should have non-experts testify about obviousness, we should have children testify about

ornamentality.

It is interesting to contemplate the kind of expert testimony which Petitioner would argue is required had the design patent been directed to a dog collar or an insect trap.

**By Every Standard, The Design Patent
Is Invalid Because Of "Functionality"**

For a design to be patentable, it cannot be "functional". It is the purpose of a mechanical patent to claim functional or utilitarian features. Of course, once a mechanical feature is selected for incorporation in a product, a "design" for it must be provided. But if the feature is incorporated because of its functional or utilitarian purpose, that feature cannot be considered as part of the design concept of the product. If the selection of the feature was not for the purpose of enhancing the aesthetic quality of the over-

all design, the presence of the feature will not help to establish design patentability. Barofsky v. General Electric Corp., 396 F.2d 340, 342 (9th Cir. 1968), cert. denied, 393 U.S. 1031 (1969).

Petitioner cites two cases which supposedly establish a conflict among the Circuits concerning the extent to which a design must be dictated by functional considerations before the "functionality" rule comes into play. The conflict centers around the words "solely" and "primarily", and is summarized by Petitioner as follows (Petition, 5):

The functionality rule has been stated differently by the various Circuits and the Patent Office. In the Second Circuit a design patent is invalid for functionality only where the appearance of the patented article is dictated solely by its mechanical requirements. Hygienic Specialities Co. v. H.G. Salzman, Inc., 302 F.2d 614, 618 (2d cir. 1962). In the

Ninth Circuit the test is whether the design is dictated primarily by mechanical requirements such that any pleasing appearance is merely a by-product of the mechanical requirements. Bliss v Gotham Industries, Inc., 316 F.2d 848, 851 (9th Cir. 1963). . . .

This case should hardly be a vehicle for resolving the purported conflict, for two reasons. First, the Second Circuit relied upon the stricter ("solely") test since it cited Hygienic (Petition, 2a). The same result must be reached no matter which test is employed; if the design was dictated solely by functional considerations, then it was necessarily dictated primarily by functional considerations.

Second, to the extent that there is any conflict among the Circuits, the conflict will certainly be resolved soon enough by the Court Of Appeals For The Federal Circuit. Now that there is a single Court to which appeals in patent

cases are taken, it can be expected that uniformity will be the rule--even if it was not the rule heretofore.

If Petitioner's argument is read carefully, it will be seen that what is really sought is not a resolution of a conflict among the Circuits, but rather the adoption of a new rule, a rule which Petitioner finds enunciated in a single decision of the Patent Office Board of Appeals, Ex parte Levinn, 136 U.S.P.Q. 606 (P. O. Bd. App 1962). Petitioner interprets the Levinn decision as standing for the proposition that a design can be considered to be functional only if there is no other way to implement the function.

This issue was before the Second Circuit, and Petitioner's position was rejected for good reason. There are always ways to give a product a dif-

ferent look, if by doing nothing more than adding appendages, making holes in parts, etc. The issue is not whether other designs are possible, but whether this particular design was dictated by function rather than by aesthetics. Were Petitioner's theory to be adopted, it would do away with the defense of "functionality" altogether because no design would ever be functional since alternatives are always possible.

The Patent Office decision in Levinn, the only case cited by Petitioner, does not even support its position. The Patent Office Board of Appeals simply held that the rejection of a design patent application on the ground of functionality could not be supported by the naked statement that the design was dictated solely by function; the fact that there were other products of the same type with different

designs proved that more than one design was possible. But that is just the starting point. Once it is established that other designs are possible so that the Examiner may not reject an application out of hand, the inquiry turns to whether the particular design under consideration is functional. The Levinn Board explained that following the resolution of the threshold question, it must be determined whether the particular design under consideration is functional. The Examiner in that case was reversed because he did not analyze the particular design and simply made general assertions.

In the case of Petitioner's design patent, the design was analyzed exhaustively, and there was no way for the District Court to conclude other than that practically everything in the de-

sign was dictated by function.

Both Courts Below Followed
The Proper Standards In
Determining That Both Patents
Were Invalid For Obviousness

There is agreement that in determining obviousness under 35 U.S.C. § 103, the rule of Graham v. John Deere Co., 383 U.S. 1, 17 (1966) applies:

Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined.

Contrary to the argument advanced by Petitioner, however, the three-fold Graham inquiry was made.

With respect to the mechanical patent, the District Court described the "scope and content of the prior art" as including three claimed action features. As for "the differences between the

prior art and the claims at issue", the District Court addressed the argument that what was new (different) in Petitioner's toy was the combination of the specific features. But the District Court then found this difference to be obvious because the level of ordinary skill in the pertinent art was that the idea of combining old action features together was itself obvious. The District Court's findings may be relatively short, but nothing else is really called for. No more is required than findings that the individual action features were old (based upon specific prior art patents), and that the level of skill in the pertinent art was such that it was obvious to combine features in general, not to mention these three.

The District Court had less to say about the obviousness of the design patent. It was held that the design

patent involved an obvious combination of elements already disclosed in the prior art, and that the design did not rise to the level of a valid design patent. The Court of Appeals ruled that the findings of the District Court concerning the obviousness of combining the design features into a single toy was supported by the evidence introduced at trial and the testimony of the expert witnesses.

At the outset, it is to be noted that the lack of specific findings is not necessarily "clearly erroneous". Norfin, Inc. v. International Business Machines Corp., 625 F.2d 357, 364 (10th Cir. 1980). The failure to use the precise language of Graham is not fatal if it is clear that the trial court has "grappled with the problems". Tanks, Inc., v. Reiter Industries, Inc., 545

F.2d 1276, 1279 (10th Cir. 1976). Furthermore, when the differences between the patent in suit and the prior art are such that the subject matter as a whole would be obvious even to a layman, a determination of the level of skill is not even necessary. Lee Blacksmith, Inc. v. Lindsay Brothers Inc., 605 F.2d 341, 344 (7th Cir. 1979).

With respect to the mechanical patent, the District Court fully explained the basis for its obviousness ruling. The decision may have been short, but more was not required. While less was said about the design patent, when it comes to a design patent it is not even necessary to make detailed comparisons of features, as made clear by the Ninth Circuit in Schwinn Bicycle Co. v. Goodyear Tire & Rubber Co., 444 F.2d 295, 299 (9th Cir. 1970):

...By the same token, it seems inappropriate to discuss in detail the differences between the patented design and the prior art since those differences relate to individual elements and their specific functions. Undue reference to such differences in a design patent case seems to us to lead to improper emphasis on particular aspects of a design when the proper test is the impression created by the overall appearance.

In short, in connection with the mechanical patent, there can be no question that the District Court did everything called for by Graham. With respect to the design patent, it is enough that the District Court dealt with the issues, there being no requirement for detailed findings. More important, while both decisions were relatively short, they both did contain specific findings, with reliance on particular pieces of prior art, on the obviousness of both patents.

CONCLUSION

For the foregoing reasons, it is respectfully submitted that the Petition For A Writ Of Certiorari should be denied.

Respectfully submitted,

Michael I. Rackman
c/o GOTTLIEB, RACKMAN &
REISMAN, P.C.
1430 Broadway
New York, New York 10018
Telephone: (212) 869-2890

Dated: New York, New York

March 29, 1983